

211-01 BACKGROUND TO AN ECONOMIC DEVELOPMENT PLAN

01-01 Introduction

Rhode Island, like the rest of New England, is densely developed, with limited natural resources. Its natives cherish its traditions and environment. In spite of dense development, nearly 60 percent of the state is woodland or open space. Recreational and leisure activities are plentiful. The state features more than 400 miles of coastline with some of the finest salt-water beaches in New England. Such resources contribute significantly to the quality of life in Rhode Island. This naturally influences land use regulation, resulting in a constant effort to balance the conservation of these resources with economic development.

Consequently, the types of industry, the kinds of jobs, and the quality of life desired are among the many considerations that must go into planning for economic development. Such planning must be an integral part of a comprehensive process for overall resource management in the state, striking the desired balance between potentially conflicting goals and interests.

Rhode Island requires each city and town to prepare a comprehensive plan by virtue of the Comprehensive Planning and Land Use Regulation Act (Chapter 45-22 of the R.I. General Laws, as amended). Each plan is subject to review by the state and must include certain elements, one of which is an economic development element that includes “identification of economic development policies and strategies, either existing or proposed by the municipality, in coordination with the land use plan element.” The Act directs the comprehensive plan to reflect local, regional and statewide concerns for “expanding and stabilizing the economic base” and promoting “quality employment opportunities.” While it is generally agreed that the state and local communities need to build on their assets by improving the business climate, the skills of their workers, and their infrastructure and by diversifying the industrial base, Rhode Island’s comprehensive planning process helps account for other concerns (e.g., quality of life) that seem, at first glance, unrelated to economic development.

During the ten years since the Statewide Planning Program published the *Economic Development Strategy* and made it part of the State Guide Plan, Rhode Island has gone from a period of record employment and growth spurred by the so-called “Massachusetts Miracle,” new construction, and regional expansion of the defense industry, to a prolonged recession with a slow recovery, and back to something approaching full employment. Regardless of the shifts in Rhode Island’s economic health, however, the overall development goal set forth in 1986 in the *Economic Development Strategy* is still relevant:

To foster and maintain a vigorous economy able to provide an adequate number and variety of activities that generate wealth for the people of the state.

Although economic recovery is a high priority, it is, in many ways, problematic for Rhode Island. The state's economy is not diversified. In addition to the defense industry, Rhode Island continues to depend on shrinking industries such as jewelry and textile manufacturing that are highly susceptible to national economic downturns and foreign competition. This limits the state's ability to sustain economic growth on a level with the rest of the region.

The state's early start in industrial development, which can be traced to 1790 when Samuel Slater established the Slater Mill in Pawtucket, has resulted in an aging industrial base employing primarily unskilled and semi-skilled labor. Manufacturing jobs have been lost to places with lower taxes and lower costs, or simply to automation and productivity improvements. The decrease in jobs between 1986 and 1996 was greater than 30 percent, mostly due to capital flight and defense cutbacks, as compared to 4 percent in the rest of the country. ((1)) With few notable exceptions, the service sector, which has dominated the Rhode Island economy since 1988, has not replaced these lost jobs with secure, high paying alternatives. Consequently, Rhode Island has lost population and a portion of its labor force through out-migration. Between 1990 and 1998 the state's population declined by 1 percent and the labor force declined by 4 percent. ((2))



Slater Mill Pawtucket, Rhode Island

01-02 Issues of Current Concern

How to achieve a healthy state economy has been the topic of several plans written by state agencies, commissions, or consultants. While there seems to be a consistency to the problems that plague Rhode Island's economy, there have been difficulties, either fiscal or political, implementing the solutions that policymakers consistently propose. Therefore, many recommendations for solving Rhode Island's economic woes keep resurfacing.

Figure 211-01(1) illustrates similar recommendations appearing in several documents published in the state since 1968. In that year the Special Commission to Study the Entire Field of Economic and Industrial Development in Rhode Island made six recommendations; all have been echoed in eight subsequent reports on Rhode Island's economic development. Those recommendations were:

- Improve business climate
- Diversify industrial base
- Target industries
- Upgrade labor force skills
- Form economic development organization
- Involve communities

In 1983, for example, the Strategic Development Commission's *Greenhouse Compact* recommended that the state improve its business climate, diversify its industrial base, define target industries, and upgrade its labor force skills. The referendum that would have enabled the state to implement these recommendations was defeated at the polls, however.

As the state began its economic decline in the '90's, the same recommendations were made in 1992 and 1993 by the Northern Rhode Island Economic Development Partnership, the Rhode Island Defense Economic Adjustment Project, and the Governor's Economic Strategy Task Force. This time, however, legislation was enacted facilitating the implementation of some of these recommendations, including a law providing tax incentives to encourage biotechnology and medical manufacturers to relocate or expand existing operations in Rhode Island, an Enterprise Zone act designed to attract new businesses to depressed areas, a law giving municipalities the authority to freeze or repeal wholesale inventory taxes, and a worker's compensation reform package.

Even with these efforts, and with the current low levels of unemployment in Rhode Island, the state's economy has continued to lag behind the rest of New England. Fundamental problems remain to the creation of wealth in Rhode Island: dependence upon shrinking industries, the state's limited land resources, low skills and educational levels of the workforce, and low wage rates relative to the rest of New England.

FIGURE 211-01(01)
GENERAL RECOMMENDATIONS
OF
RHODE ISLAND ECONOMIC DEVELOPMENT PLANS

Analysis of the economy and proposed solutions continue to be made. Governor Lincoln Almond formed an Economic Policy Council in 1995. The Council is composed of CEOs of several Rhode Island corporations, a representative of the state AFL-CIO, and leading Rhode Island academicians.

After analyzing Rhode Island's economy in 1996, the Economic Policy Council concluded in its report, *Meeting the Challenge of the New Economy*, "that the state needs a new approach to economic development that will transform its economy from one based on low value-added manufacturing competing on the basis of cost, to one based on manufacturing and services competing on the basis of higher value-added quality, innovation, and entrepreneurship."

The latter describes industries that are part of the "new economy." The Policy Council's report identified three major structural difficulties that account for Rhode Island's difficulty in shifting to the new economy, and the resulting economic lassitude:

- (1) Existing industries are not investing, modernizing and improving productivity fast enough.
- (2) A high percentage of the state's businesses are in the industries of yesterday, rather than the industries of tomorrow.
- (3) Rhode Island's business climate is poor. ((3))

On the other hand, a recent report by the Progressive Policy Institute states that Rhode Island is slowly shifting into the new economy, ranking in the middle of the states that are evolving from traditional industries to include more industries that are considered "high-tech" or more adaptable to the new economy. ((4))

01-02-01: The Global Economy

As the Economic Policy Council pointed out in *Meeting the Challenge of the New Economy*, economic prosperity is linked to the state's ability to develop industries that can prosper in the new global economy. Worldwide competitiveness is enhanced by capital improvements such as modern technology, machinery and equipment, as well as worker training to put these to efficient use.

In order to assist companies in the global arena, the R.I. Economic Development Corporation has developed an export management training program that is funded through the Rhode Island Resources Investment Council. This program helps companies develop international business strategies for increasing overseas sales.

The Economic Policy Council notes that Rhode Island manufacturers spend less than half the rate of the rest of the nation on capital improvements, and ranks 46th in the nation in this area. Upgrading equipment is a major challenge facing many smaller businesses that are isolated from similar companies. The Economic Policy Council has suggested that more cooperation among related industries (clustering) will encourage better, more modern production methods and business management practices and improve firms' competitiveness. ((5)) Boat building and related marine trades have been promoted as one of the clusters.

The report also recommends that the state promote and fund manufacturing and service industries that will bring income into the state by selling to businesses or individuals not living or located in the state. These “traded industries,” clustered appropriately, are likely to define Rhode Island’s niche in the global economy in the years to come.

01-02-02: Yesterday’s and Tomorrow’s Industries

As Figure 211-01(1) illustrates, the development and maintenance of target industries has been recommended in a number of reports. In 1979, the consulting firm Harbridge House, Inc., focused on attracting new industry and development to the state, trying to “find a set of industries whose growth in Rhode Island would maximize Rhode Island’s future employment and income.” An underlying assumption of the study was that the existing mix of industry in the state (i.e., heavy orientation toward manufacturing, and with manufacturing declining industries like leather products and textiles) had resulted in Rhode Island faltering at a time of national growth. Figure 211-01(1) indicates that 11 reports done after the Harbridge House study made a similar observation and recommended fostering target industries in order to expand the economy. Definitions may vary for “growth” or “target” industries. In Rhode Island, projections have indicated that significant growth is expected in “high tech” industries such as medical electronics, dental equipment, and scientific instruments.

The Strategic Development Commission sought to promote “high tech” jobs in Rhode Island in 1983 through the establishment of a number of “greenhouses” that would provide the necessary resources to nurture growing technologies. However, they also recognized the limitations of this type of approach in addressing the state’s entire job need. Therefore, they also proposed a number of programs to assist existing but competitive traded industries, which would bring income into the state by exporting products or services to out-of-state customers. The Commission recommended developing industry clusters, defined as portfolios of competitive, export-oriented, technology-driven industry groups dependent on collaborative actions among themselves and with public institutions to improve competitiveness.

Twelve years later, the Economic Policy Council also investigated the feasibility of clustering target industries such as jewelry, precision metalworking, boat building and related marine industries, seafood products, electronics and instruments, and biomedical industries. ((6))

Whatever we call desirable industries, “growth,” “cluster,” or “target,” their expansion and attraction should not be the state’s entire economic development strategy but one prong of it. Moreover, our discussion of these industries should not stop with the high technology sector but should be broadened to include other areas, traditional and innovative, such as health industries, financial services, electronics, software, fishing, and boat building. Industries receiving attention should demonstrate growth potential, build on native skills, and be environmentally friendly.

01-02-03: Business Climate

The business climate influences the decisions of expanding or relocating firms, making it an important variable in the state's economic development. Many business leaders perceive Rhode Island's business climate as poor, due to high energy costs and unemployment taxes, decaying and inadequate physical infrastructure, slow progress in economic development, and relatively low investments in higher education. ((7)) Tempering this perception, however, is a recent index appearing in the *Regional Financial Review* showing that in the relative cost of doing business, Rhode Island ranks lowest among the six New England states. (See Table 211-01(1).) This ranking is mainly due to the state's low labor cost (rank 44), which comprises 75 percent of the cost of doing business index. Energy captures only 15 percent of the index, and state and local taxes the remaining 10 percent. Thus while the state's energy and tax cost indices are high, they are offset by the labor cost index. ((8))

Through the years, the many reports on economic development in the state have also recommended remedies to improve its business climate. Figure 211-01(1) on page 2 illustrates that since 1968 recommendations to reduce taxes, improve access to capital, and encourage public/private partnerships have been made in at least nine of those reports. Recommendations to improve energy pricing and reliability, promote innovation and business ownership, and reform unemployment and workers' compensation have also been popular, with at least eight reports mentioning them. Recent legislation has been approved that will facilitate the implementing of several of these recommendations; they are discussed below.

Table 211-01(1)
THE RELATIVE COST OF DOING BUSINESS

State	Cost of Doing Business Index	Rank	Unit Labor Cost Index	Rank	Energy Index	Rank	State & Local Tax Index*	Rank
Connecticut	112.9	3	107.1	5	146.1	7	106.7	15
Maine	106.3	9	99.2	17	136.3	10	115.0	6
Massachusetts	114.7	2	109.4	1	149.7	3	102.3	21
New Hampshire	101.7	12	91.5	35	168.1	2	78.8	50
Rhode Island	99.1	16	87.6	44	149.5	5	109.6	10
Vermont	105.8	10	96.7	22	149.6	4	108.5	12

*Compares total taxes paid to total income earned. Total taxes paid is the addition of total taxes less severance taxes, which are dependent upon region-specific land conditions, plus total charges less education and hospital charges, which are the result of government owned operations not paid by business. Summing the state and local taxes and dividing by total personal income creates the effective tax burden.

Source: *Regional Financial Review*, November 1999

01-02-04: Physical Infrastructure

Infrastructure support systems, adequate water supplies, wastewater treatment facilities, and highway and rail access are primary concerns of firms when they are relocating or expanding. Most companies look for sites with good support systems and the ability to move goods in and out at low cost.

Infrastructure at Industrial Sites

Although there is currently a total of 32,455 acres zoned industrial, not all the acreage is conducive to industry. Vacant parcels may be shaped oddly or be too small to be viable as an industrial site; others may not be accessible by highway or airport; still others may lack public utilities, or may have unfavorable physiographic features. Some may be unremediated brownfields.

Table 211-01(2) presents the industrial site suitability acreage between 1988 and 1999. There is clearly some double counting, with some sites showing both natural constraints and the absence of utilities. (Brownfields are not considered an environmental constraint in this comparison, on the presumption that liability and cleanup can be properly handled prior to development.)

Table 211-01(2)				
INDUSTRIAL SITE SUITABILITY ANALYSIS (1988 AND 1999)				
	1988		1999	
	Acres	%	Acres	%
All land zoned industrial	35,186	100	32,455	100
All vacant land zoned industrial	17,582	50	15,224	47
All vacant industrial land with no public water or sewers	5,649	16	3,485	11
All vacant industrial land with public water but no sewers	11,933	34	11,929	36
All vacant industrial land with public water and sewers	5,134	14	7,727	23
All vacant industrial land with public water, sewers and no physiographic constraints	1,948	6	1,845	6

Source: Statewide Planning Program, *Industrial Land Use Plan* (1999; preliminary data)

The state has 1,845 prime vacant industrial-zoned acres— six percent of total industrial acreage – having public water, sewers, and no environmental constraints to construction (i.e., physiographic or flood hazard concerns).

This level of analysis can present only a broad overview of the capabilities of Rhode Island's industrial land. Setting the criteria for "construction-ready" sites in a way that eliminates in total sites that lack either public water or sewers, or that exhibit physical limitations, is an intentionally conservative approach. A more detailed analysis might consider a site's suitability to the type of development that is expected over the planning horizon in the market area. (For example, would we expect high or low employment densities? Would a buffer zone be required between the industry and the surrounding community? Would the level of infrastructure be adequate, even if a significant amenity were absent?) It would also consider the potential to expand services such as public water and sewers to sites that are currently deemed marginal, and the potential to use vacant acreage for something more than just an expansion of existing activities.

01-02-05: Transportation Infrastructure

The Northeast Corridor is arguably the greatest market in the world, making transportation linkages throughout the region of paramount importance to economic development. Transportation access to Rhode Island is from land, sea, or air. Interstate highways traverse the state; bands of arterial highways link urban and rural communities, and provide connections to the state's airports, seaports, rail lines, and commuter bus lines. Adequate transportation access to industrial and commercial sites is essential for continued economic expansion.

Transportation planning is an important part of the Statewide Planning Program. Rhode Island's transportation investment consists mainly of the federal-aid program (matched with state bonds), and federal law requires that planning support it.

The State Planning Council, which coordinates planning and development activities in the state, has been designated as the single, statewide Metropolitan Planning Organization (MPO) for transportation planning. The basic requirements are to prepare a 20-year transportation plan, to approve a two-year *Transportation Improvement Program (TIP)*, and to maintain a continuing transportation planning process, with public involvement.

Ports and Marine Transportation

Marine transportation is the oldest form of transportation in the state. Waterborne transportation of goods is still the cheapest mode of goods movement, making Rhode Island's ports important to its economy.

Narragansett Bay provides one of the best deep-water ocean ports on the East Coast. The Bay has over 10 miles of commercial waterfront with piers and wharves to accommodate deep and medium draft vessels. Terminals are located in Providence, East Providence, and North Kingstown (Quonset/Davisville).



Quonset/Davisville, North Kingstown, Rhode Island
Photo courtesy of Rhode Island Economic Development Corporation

The strategic location of the Quonset/Davisville Port and Commerce Park, situated between New York and Boston and at the entrance of Narragansett Bay, provides one of the best deep-water ocean ports on the East Coast. Major cargo arriving at the port includes automobiles, quarried stone, and general cargo. The port has three major piers with rail track and over 6,800 lineal feet of deep-water dockage. Low cost dockage is available at \$0.20 per net registered ton and wharfage is \$1 per ton of general cargo. ((17))

The Port of Providence handled liquid, dry and breakbulk cargoes totaling 8,814 thousand short tons in 1997. ((9)) However, dredging of the Providence River shipping channel must take place in order to accommodate larger vessels that have been prevented from docking upriver because the channel, with shoaling, is no longer deep enough to allow them to pass safely. Restriction of these vessels has required trucking to Rhode Island of some materials, such as petroleum products, a procedure resulting in higher transportation costs (and higher energy costs as well).

Recognizing the potential value of the Quonset Davisville Port and Commerce Park (QPD) to the state's economy, a developer recently proposed expanding the port to accommodate the latest generation of container cargo ships used by international shipping lines. According to projections by the Economic Development Corporation, such development would have created about 3,800 jobs at the port and thousands of jobs off-site. However, the proposal was opposed by environmental and community groups who feared the port would damage the ecosystem of Narragansett Bay and the quality of life in the neighboring communities. These groups favor a more moderate expansion of the port, capitalizing on existing uses. At present, the port handles new automobiles, quarried stone, and general cargo that arrive there for shipment throughout New England.

Marine transportation involves passengers as well. Commuter ferry service operates year round between Point Judith and Block Island, and seasonal service is provided for tourists between Providence, Newport, and Block Island. Several water transit projects are underway; they include a hub for water transportation in Newport's Perotti Park and a high-speed Providence to Newport ferry. A Providence to Pawtucket commuter ferry is already in operation. These projects are part of an intermodal transportation strategy designed to reduce reliability on the automobile in the state.



Block Island Ferry

Energy Costs

New England has historically been a “net consumer” of energy, as opposed to a “net producer” in the sense of Texas, Louisiana, or Alaska. Therefore, the cost of energy for this region has been, as a rule, consistently higher than in the rest of the nation. Rhode Island depends on energy sources from outside the state and is literally at the “end of the pipeline,” which adds to the cost of energy.

High energy costs put businesses at a competitive disadvantage. Rhode Island, with energy intensive industries such as textiles, was particularly hard hit with the loss of these industries to places having lower energy costs. As recently as June 1997, according to the *Regional Financial Review* (RFR), the New England region was experiencing double-digit increases in relative electricity prices. It is anticipated that this trend will stabilize or reverse with the implementation of the electric industry's restructuring following deregulation.

The *Rhode Island Energy Plan*, State Guide Plan Element 781, recognizes that affordable and reliable energy is essential to Rhode Island's business and industry. The plan calls for:

A strengthened competitive posture for Rhode Island commerce and industry through access to adequate affordable and reliable supplies of all sectors of use, including transportation.

The *Energy Plan*, however, cautions users regarding the restructuring of the supply end of the electric industry, noting that they should be sensitive to the challenges of a free market vs. the old method of setting rates by regulation to guarantee supply. Consumers need to pursue energy conservation particularly in a free market to avoid spikes in demand that will drive up cost and may even interrupt supply.

Highways

The state road network includes three interstate highways. They are I-95, I-195, and I-295, totaling 72 miles. State maintained arterial and collector roads total 1,200 miles. A much larger network of collector and local streets, totaling more than 4,700 miles, is maintained by the 39 cities and towns. ((10))

Road maintenance is quite costly and is paid for out of tax supported annual budgets that often cannot cover the costs of all necessary repairs. Consequently, some roads have suffered significantly under a strategy of deferred maintenance. Many are in need of resurfacing. With 589,500 automobiles and 158,500 other types of vehicles registered in the state, traveling about 19,500,000 miles in a typical day, deterioration of the roads is inevitable. Continuous maintenance of the state's roads is therefore extremely important to ensure safe and efficient access to the state's commercial, industrial, and shopping centers.

The Rhode Island Department of Transportation (RIDOT) maintains 598 bridges, and cities and towns maintain another 200. The Rhode Island Turnpike and Bridge Authority operates the Newport and Mount Hope bridges. Recent examination of the state's bridges has revealed deteriorating support structures. ((11))

Repairs are presently underway on several bridges throughout the state. The state pays for road and bridge construction and maintenance with a portion of the gasoline tax receipts, state bonds, state appropriations, federal funds, and bridge tolls. The gasoline tax is the most important single source of financial support for transportation in the state, with 16 cents of the 28-cent per gallon tax earmarked for bridge and roadwork. However, most of these funds have gone to paying the debt on bonds. Federal dollars have been spent on new projects, at the expense of basic road repairs. Recently, state officials have shifted RIDOT's financing to rely more on its share of the gasoline tax, with funds going directly to specific repair programs for roads and bridges throughout the state.

The Need for Mass Transit

As cities began to decentralize in the 1950s and '60s, the automobile, became the transportation mode of choice for many people. Federal funding policies favored highway construction. These policies and preferences for suburban lifestyles have contributed to the proliferation of industrial parks and malls that provided employment opportunities outside the central cities, with varying accessibility via public transit.

Today, many lower-income workers who are urban dwellers depend upon public transit to get to work. If they are looking to change jobs, they may find that that public transportation does not go to their potential work sites.

Adequate transportation access to industrial and commercial sites, whether located in the old central cities or in suburban parts of the state, is essential for continued economic expansion. This applies to the movement of both goods and people. The dispersion of population and employment away from the urban centers has created a need for better mass transit, particularly for those who cannot afford a car or who seek a non-automobile alternative. However, the state's small population and size - i.e., a relatively small demand for public transit - have made the expansion of public transit difficult.

In 1994, Congress enacted what is broadly characterized as "welfare reform." The new program - Temporary Assistance for Needy Families (TANF) - set a 5-year lifetime limit on benefits and emphasized transitioning people to work rather than continued public assistance. More than 18,000 Rhode Island welfare households will eventually be faced with work responsibilities.

Moving welfare recipients into the workforce is not a simple matter. Most have young children who will need child care, and many need skills training. But a major consideration for people to get and hold jobs is a dependable means of getting to and from work. A variety of "reverse commute" services is needed to connect welfare recipients to the places where the jobs are.

In recognition of the keen interest in welfare reform and the many organizations with responsibilities in this area, the Statewide Planning Program has stimulated a joint planning process of interested parties. By bringing together the many diverse agencies and organizations with responsibilities related to welfare reform, coordinated approaches to transportation service delivery could be negotiated and agreed to. To this end, a series of meetings with representatives of the R.I. Department of Labor and Training, the R.I. Department of Human Services, the State Association of Public Housing Agency Directors, and the Private Industry Councils culminated in a comprehensive \$1,000,000 Job Access and Reverse Commute proposal. This was submitted to the Federal Transportation Administration by the R.I. Public Transit Authority (RIPTA), which manages the state fleet of commuter buses. This proposal has been approved. The proposal addresses the major concerns of all participants and may ultimately serve as a prototype for a realignment of public transit services in the state of Rhode Island.



Kennedy Plaza, Providence, RI

Bus

The RIPTA fleet includes 221 buses, 195 full-size transit vehicles, and 26 smaller buses. Fixed routes, totaling 450 miles, serve 36 of the 39 cities and towns and connect Providence with Woonsocket, Newport, Westerly, and the University of Rhode Island in Kingston. About 65,000 passengers are carried on a typical weekday. ((12))

With the suburbanization of Rhode Island, the places where people live and work have become dispersed and therefore are difficult to serve by transit. Although 64 percent of the state's population lives within $\frac{1}{4}$ mile of a RIPTA route, that route frequently does not lead to places of employment. The route system developed with Providence as the center. According to the U.S. Census, Providence has fallen from having 35 percent of the state's employment to having 25 percent in 1990.

The current emphasis on "welfare to work" transitioning is having an impact. Before welfare reform, RIPTA could not attract enough passengers to warrant putting additional buses to outlying suburban areas. Existing public transit patterns, were designed for the days when workers had to be transported to the urban core for work and returned to bedroom community suburbs at night. This has proved unsuitable for transporting workers who reside in the inner cities from home to suburban job sites and back. The mismatch between work sites and residence sites radically changes ("reverses") commuting patterns for many workers. For urban residents without autos who are presently on public assistance, it has made work an impractical alternative to welfare. Add to this phenomenon a growing incidence of non-standard workweeks and irregular shift hours, and it becomes clear that public transit routes as presently configured are inadequate to serve this new need.

Anticipated increases in ridership due to work transitioning notwithstanding, RIPTA has for years experienced funding shortfalls due to decreases in state and federal funding patterns as well as decreases in riders. For the future, RIPTA faces many challenges:

- To streamline operations by re-routing existing lines that carry few passengers to routes going by current employment and educational facilities. Recently RIPTA developed a new bus route from Providence, Pawtucket, and Central Falls to a manufacturer in South Kingstown.
- To provide intrastate transportation linkages for commuters to Boston and Connecticut (Foxwoods). Fidelity is financing a RIPTA route from Attleboro to its new facility in Smithfield. This is the first time in its history that RIPTA is going to Massachusetts.
- To upgrade the fleet to save energy/downsize buses.
- To increase ridership across the board.
- To control costs by eliminating unnecessary operations.

Privately operated (i.e., non-RIPTA), intercity buses link Providence with Boston, New York City, Albany, N.Y., and Cape Cod.

Rail

The Northeast Corridor rail line (the Amtrak Shore Line) runs through Rhode Island, and there are a number of active and inactive lines for passengers and freight branching from it. Amtrak is fully electrifying its passenger line. This poses a conflict with the freight transport capacity of the state's largest industrial park, QPD. Freight trains may be too slow to remain on the upgraded tracks, and clearances will be too low and narrow in some areas to accommodate the freight cars used to transport automobiles and other goods.

To remedy conflicts with passenger service, Rhode Island is constructing a new freight line, the so-called "Third Track," to run parallel to the Northeast Corridor rail line for 17½ miles of the 22-mile line, from Quonset Point Davisville to the Boston Switch in Central Falls, with 4½ miles between East Greenwich and Warwick being shared with Amtrak. The project includes lowering the rail beds and raising the clearance of bridges crossing the track to enable it to accommodate double- and triple-stacked freight cars. Development of the Third Track is considered critical to the further development of QPD as an intermodal port with rail access to the major cities in the Northeast.

Amtrak's passenger rail service in the Northeast Corridor provides eight trains operating each day in each direction, either toward Boston or toward Washington, D.C. All trains stop in Providence, and six trains stop in West Kingston and Westerly.

Passengers for the three Rhode Island stations total about 425,000. High-speed rail service will begin soon and a new train station will be built in Warwick near T. F. Green Airport, which will use a moving sidewalk to move passengers between the airport and the trains.

Commuter rail service, operated by the Massachusetts Bay Transportation Authority (MBTA), also connects Providence and Boston, carrying about 425 inbound passengers each weekday. In addition, Rhode Islanders board in Attleboro and South Attleboro, Mass. Recently, an agreement was reached between Rhode Island and Massachusetts to add three daily commuter runs between Boston and Providence. The agreement also provides for service to T. F. Green Airport as soon as the proposed train station is constructed there.

Air

Air carrier services are provided at the newly expanded T. F. Green Airport. In addition, there are four general aviation airports, and the Quonset State Airport at QPD, which are owned by the state and are operated by the Rhode Island Airport Corporation. Cargo is brought into Green. The Rhode Island Army and Air National Guard operate from Quonset State Airport.

The total air system served 4,615,309 passengers and carried 45,581,728 pounds of total cargo in 1998. A new terminal was constructed at T. F. Green Airport in 1996 and an additional airline began service there. The number of passengers using the airport in 1998 represented a 13.8 percent increase over the previous year. ((13))

Although service at Green has increased dramatically, there is still a need for the airport to upgrade its service area to provide permanent facilities for international air travel, which will be important to the state's emerging global economy. Presently, the airport can provide customs services on a case-by-case basis for charter international flights. A new customs facility is in the planning stages, with a new inspection area that will be used to collect tariffs, check immigration papers and passports, and inspect luggage and cargo unloaded from international flights. Eventually international charter service will evolve into scheduled service, which, officials believe, will encourage tourism.

01-02-06: Taxes

Rhode Island is perceived as having high taxes. The state ranks eleventh highest in the nation on the *Regional Financial Review's* state and local tax indices (Table 211-01(1)). In *Meeting the Challenge of the New Economy*, the Economic Policy Council noted that, in 1995, Rhode Island employers paid the highest average unemployment tax, 2.1 times the national average, and its top weekly benefit was the second highest in the country.

New or Revised Tax Credits

Under pressure from the business community, the General Assembly passed several bills for "tax relief." Most of the resulting programs are specifically targeted.

The Jobs Training Tax Credit Act, passed in 1996, allows companies to take a tax credit up to \$5,000 per employee over any three year period against their state business tax. The tax credit is equal to 50 percent of approved worker training expenses up to \$5,000 per individual employee over any three-year period. Up to \$1,000 of the \$5,000 may be for employee wages.

Meanwhile, the costs of workers' compensation declined by 5 percent between 1995 and 1996 because of legislation enacted to reform the system in 1992. However, workers' compensation taxes remain high (50 percent above the national average).

In 1997 the state reduced the rate new businesses must pay for unemployment insurance from 4.2 percent to 2.3 percent, and raised the rate for companies with the most layoffs from 8.25 percent to 9.85 percent. Various options are being studied to reduce rates without reducing benefits.

On January 1, 1998, Rhode Island became the state with the highest investment tax credit, the highest research and development credit, and the highest training credit in the country.

The Investment Tax Credit has increased from 4 to 10 percent for new machinery and equipment acquired after January 1, 1998. Manufacturers or traded service firms paying above average wages or investing significantly in worker training are eligible. The Research and Development Tax Credit has increased more than four-fold, from 5 percent to 22.5 percent, for manufacturers and traded service firms. Experts expect these initiatives to have an immediate impact toward improving the business climate in the state, particularly for the knowledge-based businesses in the new economy.

Other notable new or revised tax credits include:

- The Rhode Island Adult Education Tax Credit, which allows both a work site and non-work site tax credit for vocational training or basic education of 50 percent of the costs incurred, up to a maximum of \$300 per employee and \$5,000 per employer per calendar year.
- The Rhode Island Employer's Apprenticeship Tax Credit which amounts to 50 percent of the actual wages paid to the qualifying apprentice or \$4,800, whichever is less. This credit covers the following trades in the metal and plastic industries: machinist, toolmaker, modelmaker, gage maker, patternmaker, plastic process technician, tool and machine setter, diesinker, moldmaker, tool and die maker, and machine tool repair person.
- The gross Rhode Island income of businesses and individuals that employ and retrain Rhode Island residents may be reduced up to \$2,400 from wages paid in the first year to each new, previously unemployed employee.
- The Child and Adult Day Care Tax Credit, which equals 30 percent of the services purchased and 30 percent of the total amount expended for the operation of a day care center. This credit is available to taxpayers who purchase or provide these services for employees with adult family members or dependent children. The maximum credit allowed is \$30,000.
- A Disabled Access Credit for Small Business – to enable the small business to comply with federal or state laws protecting the rights of persons with disabilities. The credit is equal to 10% of the total amount expended during the tax year in Rhode Island up to a maximum of \$1,000 for removing architectural, communication, physical, or transportation barriers; providing qualified interpreters or other effective methods of delivering aurally delivered materials to persons with hearing impairments; providing readers, tapes, or other effective means of making visually delivered materials available to persons with visual impairments; providing job coaches or other effective means of supporting workers with severe impairments in competitive employment; providing specialized transportation services to employees or customers with mobility impairments; buying or modifying equipment for persons with disabilities; and providing similar services, modifications, material or equipment for persons with disabilities.
- Enterprise Zone credits, including a business tax credit, a donation credit, an interest credit, and a resident business owner tax modification for being located in one of the state's ten designated Enterprise Zones or the Federal Empowerment Zone in Providence. In addition, there are rehabilitation credits, including wage credits, interest credits, and investment credits, for renovating, reoccupying, and reusing under-utilized or abandoned mill buildings.

The state's "piggy-back" income tax has also been reduced from 27.5 percent to 27 percent of a taxpayer's federal tax liability as an across-the-board measure for tax relief.

Property Taxes

Property taxes in Rhode Island rank among the highest in the nation. The Rhode Island Public Expenditure Council (RIPEC) noted in its report, *Strengthening Cities*, that there is an over-reliance on property taxes as a revenue source, and this tends to limit the cities and towns from attracting new residents and businesses. Property tax relief, RIPEC concludes, is essential to promote economic growth in municipalities. RIPEC's research shows that other measures such as changing the financing of education, which is borne primarily by local property taxes, and more state contributions toward the financing of municipal services could replace lost revenues if property taxes are reduced. This issue has been debated in the General Assembly.

Tax relief in the form of a phased reduction in the automobile property tax to zero by the year 2005 was enacted in 1998. ((14))

The Office of Municipal Affairs in the R.I. Department of Administration commissioned a study of the state's current property tax assessment practices to identify its strengths and weaknesses and to recommend ways to improve it. This was intended to lead to both tax relief and property assessments that are more consistent from community to community. Among the recommendations being considered is to have revaluations more frequently than the current sequence, every ten years. Other suggestions are to repeal the tax on business inventories, to amend Rhode Island laws to require assessments to be made at a uniform 100 percent, and to adopt uniform standards for local option exemptions.

Sales Tax

Rhode Island also has the highest sales tax (7 percent) in New England. The primary impact of this tax falls on retail establishments near the Massachusetts (5 percent rate) and Connecticut (6 percent rate) borders. When the sales tax was implemented, it was touted as a "temporary" tax, but it is still in effect despite repeated attempts by legislators to reduce or eliminate it. Several items are exempt from sales taxes, however:

- Industrial fuels and raw materials sales of tangible personal property, computer software, and public utility services when the property or service becomes a component part of a manufactured product for resale, or when the property or service used in the process of manufacturing or processing products for resale.
- Scientific equipment used in research and development.
- Pollution control equipment.
- Boats.
- Professional services, such as those provided by physicians, attorneys, accountants, engineers, and others. However, the tax applies to any tangible personal property that may be sold at retail by such professionals.

- Occupational services, such as provided by barbers, beauty parlors, bootblacks, cleaning and pressing shops, laundries, and similar service establishments. However, the tax applies to any tangible personal property that may be sold at retail by such establishments.
- Intangible personal property, e.g., stocks, bonds, accounts receivable, money, or insurance policies.
- Sales of arts within Arts Districts.

In addition, firms using financing programs offered through the R.I. Economic Development Corporation might receive a tax rebate of the sales tax paid on construction materials.

01-02-07: Labor Force

Once a strong Northeast presence in manufacturing, Rhode Island, has become a service- and information-based economy. Over the years, as manufacturing jobs were lost, some workers left the state pursuing jobs in regions where their skills were still marketable. The structural change to the state's economy brought a demand for workers having different skills. The state's remaining labor force needs to upgrade and update its skills in order to secure and keep the jobs that are available in the new, technological job market.

Skills and Education

To make the transition into the new economy, the state needs to find a way to provide attractive employment opportunities for its college graduates, and to motivate blue collar workers to participate in jobs training and re-training programs.

As Figure 211-01(1) (page 1.3) illustrates, upgrading the state's labor force skills has been recommended by planners since 1968, when both the Special Commission to Study the Entire Field of Economic and Industrial Development in Rhode Island and *The Study To Develop an Action Plan for the Economic and Industrial Development of Rhode Island* recommended improving the state's workforce training and retraining programs. Ten subsequent plans have made the same recommendation.

In 1995, the Rhode Island labor force numbered approximately 484,900, with 51.5 percent being men and 48.5 percent women. Compared to both New England and the United States, Rhode Island's labor force has a relatively lower educational level. According to the 1990 Census, only 72 percent of Rhode Islanders 25 years and older have completed high school. (The national average is 77.6 percent.) More disturbingly, the Economic Policy Council estimates that 40 percent of the native Rhode Island blue-collar workforce is either functionally or totally illiterate. Employers report that many workers cannot read simple safety warnings. The illiteracy problem has been exacerbated by the influx of non-English speaking immigrants into the workforce.

The 1990 Census reports that the number of Rhode Island residents 25 years and older completing at least four years of college is only 21.3 percent. This figure is interesting, because Rhode Island has more college students per capita than any other state in the nation. They are apparently leaving the state upon graduation. One exception is Rhode Island College (RIC), which reports that a large portion of its students tends to stay in the state after graduating. While 93 percent of RIC's student body are state residents, the fact that graduates are staying in Rhode Island suggests that they are confident that RIC has adequately prepared them for employment here.

Working with Colleges and Universities

In 1994, RIC opened a Center for Management and Technology. Working closely with several businesses, the Center seeks to provide the resources necessary to help its students fill the needs of the state's business community. For example, the Center has an internship program to help students gain professional experience that can give them a competitive edge in the job market. A new business curriculum was designed for undergraduates, which included courses in computer information technology and finance, as well as the more traditional courses in economics, accounting, marketing, and management.

Another new job development initiative connected with institutions of higher learning is the Research Centers of Excellence Program, which began in 1997. Through this program, the state is trying to accelerate the flow of academic and laboratory research into commercial use. One Research Center of Excellence has established a partnership among Brown University, hospitals, and biomedical companies to catalyze the development of the cellular medicine industry. Another includes the University of Rhode Island's (URI) Graduate School of Oceanography, the Naval Undersea Warfare Center, and marine-related companies. The objective behind these partnerships is to develop innovative technologies, providing new jobs for Rhode Island companies and entrepreneurs.

Workforce training programs are available in most of the state's colleges and universities. According to the white paper *Rhode Island Education and the New Economy*, workforce training tailored to specific needs and industries, such as fire science, computer integrated manufacturing, and electronic publishing, are available at local institutions of higher learning. ((15))

The Rhode Island Higher Education Workforce Development Council provides workforce assistance, serves as a clearinghouse for workforce development services, and facilitates cooperative agreements with other organizations, consortia, and public agencies focusing on workforce development in Rhode Island. Outside this structure, the R.I. Department of Human Services and nonprofit community organizations are providing counseling and training programs for people who are returning to work from welfare.

01-02-08: Land Use

Rhode Island's beaches, quaint villages, sailing activities, and other recreational opportunities contribute to its high quality of life, which has been one of its important economic development attributes. However, with the state's limited land use resources, it is becoming harder to find prime parcels of land for industrial expansion while also conserving these resources. Growth and conservation are both essential to Rhode Island's economic development, and must be monitored in order to ensure that a balance is maintained between development and potentially competing land uses.

In 1999, approximately 32,450 acres were zoned for industry statewide (Table 211-01(2)) (see page 1.8). The inventory of industrial-zoned land showed that nearly 11,125 acres were in industrial use, the remainder being vacant or in other uses. Competition between industrial and non-industrial uses for industrial-zoned land has been keen at times, especially when the regional economy is good, and the demand for upscale housing, or retail space, is high.

Is there a shortage of prime industrial land in Rhode Island? *Land Use 2010* recommends reserving 8,000 acres to the prime industrial land currently occupied. Using the 8,000-acre reserve would yield nearly 21,000 acres for industrial development by the year 2020.

The *Industrial Land Use Plan* indicates that over 15,224 industrial acres in the state were vacant in 1999 but only 1,845 acres are considered prime, i.e., have public water, public sewers, and no environmental constraints. (See Table 211-01(3)). The plan projects that the state will need about 13,000 acres of industrial land by the year 2020. Although there are 32,455 acres zoned for industry, many cannot be developed due to environmental constraints, size, or configuration. In addition, many sites are occupied by other uses to the extent that more appropriate or efficient industrial uses are precluded.

Table 211-01(3)
VACANT SITE SUITABILITY ANALYSIS

	1977		1988		1999	
	Acres	%	Acres	%	Acres	%
All land zoned industrial	35,403	100	35,186	100	32,455	100
All vacant land zoned industrial ¹	20,669	58	17,582	50	15,224	47
Vacant industrial land w/public water ²	12,027	34	11,933	34	11,957	37
Vacant industrial land w/public water & sewer ²	6,852	19	5,134	15	7,727	24
Vacant industrial land w/public water & sewer, no physiographic constraints ("prime") ²	1,304	4	1,948	6	1,485	6
Prime vacant industrial land on active CERCLIS sites ²	n/a		n/a		676	2

¹ Where "vacant" is defined as *undeveloped* or *cleared*, as opposed to *abandoned*.

² Double counting occurs among these categories, yielding a sum greater than the total.

Source: Statewide Planning Program Industrial Land Inventory (1997-99); RIGIS (1999)

The challenge facing economic development planners in Rhode Island is to revitalize central cities where the infrastructure already exists and to encourage more efficient industrial and commercial development, adhering to the sound land use policies espoused in *Land Use 2010*. Given the environmental legacy of some of the sites (i.e., chemical contamination), obsolete configurations for modern manufacturing processes, or surrounding non-industrial uses, this challenge may seem daunting.

The *Industrial Land Use Plan* suggests that, using a current inventory of industrial-zoned land, planners should work with local communities to “match the development to the land,” rehabilitate and reuse underutilized or vacant industrial properties, track changes in employment densities, and prevent sprawl or conversion of greenfields (undeveloped areas best left for open space). Business partnerships should be encouraged to promote sustainable development along these lines and to address legitimate concerns regarding cleanup liability, rehab financing, and better use of industrial properties.



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